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The Role of Federal Tax Policy and Regulatory Reform in Promoting Economic Recovery and Long-Term Growth

by
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INTRODUCTION

My name is Margo Thorning and I am senior vice president and chief economist of the American Council for Capital Formation.

The American Council for Capital Formation represents a broad cross-section of the American business community, including the manufacturing and financial sectors, Fortune 500 companies and smaller firms, investors, and associations from all sectors of the economy. Our distinguished board of directors includes cabinet members of prior Republican and Democratic administrations, former members of Congress, prominent business leaders, and public finance and environmental policy experts.

The ACCF is now celebrating its 28th year of leadership in advocating tax, regulatory, environmental, and trade policies to increase U.S. economic growth and environmental quality.

Mr. Chairman, we commend you for this timely hearing on the causes of the U.S. economic recession, the impact of the events of September 11, 2001, on the economy, and the impact of changes in the tax code on U.S. economic conditions. My testimony has two central themes. First, changes in fiscal policy can have both short-run stimulative impacts, and if chosen wisely, long-run positive effects that will yield dividends in terms of stronger economic growth well into the 21st century. Second, regulatory reform, especially of U.S. environmental laws, could also accelerate economic growth as well as facilitate the achievement of environmental goals by encouraging new investment and capital turnover, especially in the manufacturing and energy sectors.

SHORT-RUN ECONOMIC OUTLOOK AND THE "TERROR TAX"

Recent data show that the U.S. economy is in a recession, and that relief may not come before the middle of 2002. Some macroeconomic forecasters predict that a global recession could slow the pace of economic activity for the next two to three years. The causes of the U.S. downturn are widely attributed to the sluggishness of the manufacturing sector that began in 2000, rising energy prices in 2000, the over-

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investment in the high-tech sector, the collapse of the Internet bubble, and the sharp drop in the value of equities during the past year. The terrorist attacks on September 11 were, according to many analysts, the factor that pushed the United States into negative growth for the third quarter of 2001. The events of September 11 and the threat of future attacks have imposed a costly burden, or "terror tax," on businesses, consumers, and federal, state, and local governments. The more recent indication that our energy infrastructure may be the next terrorist target accentuates the need for more investment in energy capacity. Since the confidence of both households and businesses has been shaken by recent events and the rising unemployment rate, restoring the "animal spirits" of both these sectors is critical to economic recovery. Fiscal policy reforms, combined with regulatory reforms (which cost little or nothing), could have both short-run stimulative effects as well as promote the long-run economic growth necessary to maintain U.S. hegemony in world affairs.

Federal Tax Code Hinders Economic Recovery and Threatens U.S. International Competitiveness

The U.S. federal tax code contains many provisions that hinder near-term economic recovery as well as sow the seeds for a continued erosion of U.S. international competitiveness. Congress and the Administration have an opportunity that should not be allowed to slip away to make significant tax code reforms that would encourage saving and investment in the United States. Tax reform could also remove some of the incentives for businesses to move offshore or be acquired by a foreign company and would strengthen U.S. multinationals as they attempt to compete abroad. Higher earnings on foreign investment enhance equity values for the approximately 50 million U.S. households that own stock.

■ High Tax Rates on New Investment

Even before the "terror tax" of September 11 imposed higher costs (including larger risk premiums for new investment) on U.S. business, investment was taxed harshly. For example, a 2001 analysis by Harvard University Professor Dale Jorgenson (a member of the board of scholars of the ACCF Center for Policy Research) and Yonsei University Professor Kun-Young Yun calculates the significant increase in the effective tax rate faced by most assets after the passage of the Tax Reform Act of 1986. Their new study finds that in 1982, after the enactment of the 1981 Economic Recovery Tax Act, producers' durable equipment had the equivalent of expensing first-year write-off (see Table 1) with a zero effective tax rate. TRA '86 raised the effective tax rate from zero to 32 percent. By 1996, the rate had risen to 36 percent due to corporate and individual income tax rate increases.

If the United States is to meet the challenges of maintaining strong productivity growth in the coming year, new investment in all types of assets, including energy supply, will be required. For example, investor-owned utilities estimate needed capital expenditures of almost $90 billion over the 2001–03 period. A new study by Arthur Andersen, LLP, commissioned by the ACCF Center for Policy Research, shows that the United States ranks in the bottom third or below in terms of capital cost recovery allowances for electricity generation and other energy assets, as well as investments in pollution control (see Table 2 and Figure 1). For example, after five years, a U.S. company recovers only 29 percent of its investment in a combined heat and power facility compared to 90 percent in Malaysia, Thailand, and Columbia, 51 percent in Germany, and 45 percent in China. Thus, investment costs are recovered much more quickly in these and other countries with which the United States competes or where U.S. business

might choose to locate or expand manufacturing operations. (See previous ACCF testimony at www.accf.org for additional international comparisons.)

Corporate tax rates are also high in the United States relative to our competitors, and this tendency is worsening. As shown in Table 3, the average top corporate income tax rate in the European Union has dropped from 34.4 percent in 1995 to 31.7 percent in 2001; the top U.S. corporate income tax rate was 35 percent in 1995 and remains at that level today.

■ Tax Rates High on Foreign-Source Income

Tax rates on foreign-source investment, which are indicators of how much encouragement domestic firms are given to enhance their economic viability by expanding operations abroad, again show the United States falling behind. The effective U.S. tax rate on foreign-source investment is 43.2 percent versus an average of 36.7 percent in the other G-7 countries (see Figure 2).

The disadvantages that U.S. firms face when competing in global markets is further illustrated by a 1997 study sponsored by the ACCF Center for Policy Research showing that U.S. financial service firms face much higher tax rates on foreign-source income than do their international competitors when operating in a third country such as Taiwan (see Figure 3). A 12-country analysis shows that U.S. insurance firms are taxed at a rate of 35 percent on income earned abroad compared to 14.3 percent for French-, Swiss-, or Belgian-owned firms. As a result, U.S. firms face tax rates that are as much as 145 percent higher than those faced by their competitors on income earned in the same third country. Consequently, foreign financial service firms can offer products at lower prices than can U.S. firms, giving them a competitive advantage in world markets.

■ U.S. Companies Increasingly Bought by Foreign Companies

U.S. companies are increasingly acquired by foreign firms. Another way of assessing the impact of the U.S. tax code on the competitiveness of U.S. companies is to examine trends in cross border mergers involving U.S. and foreign firms. In recent years, the vast majority of large cross-border mergers resulted in the U.S. firm being acquired by the foreign firm, with their legal headquarters being moved abroad. As a recent analysis by PricewaterhouseCoopers shows, foreign acquisitions of U.S. companies far exceeded U.S. acquisitions of foreign companies in the 1998–2000 period, both in terms of the number of transactions and the dollar value of the transactions (see Table 4). For example, in 2000, two-thirds of all large mergers and 79.2 percent of the dollar value of the transactions resulted in a U.S. firm being acquired by a foreign firm. For financial service firms, the trend of a U.S. company being acquired by a foreign firm is even more pronounced.

■ Corporate Alternative Minimum Tax

Any effort to spur economic recovery must include repeal of the corporate alternative minimum tax. Because the AMT is a pro-cyclical tax, making the downturn in the business cycle more pronounced and thus requiring companies to pay higher taxes when profits are down, the need for repeal is particularly urgent now. The immediate impact of repeal is bottom-line tax relief for AMT companies. Once the corporate AMT is repealed, estimated tax payments for companies in AMT would be reduced, freeing up resources for companies to use for their business needs. The current economic slowdown will push more

companies into the AMT. According to a U.S. Treasury Department study, nearly 50 percent of America's largest companies were in AMT during the last economic downturn (1989–91). Paying higher taxes, such as AMT payers do, will only further exacerbate the anticipated economic recession.

Based on results of a recent survey of the National Association of Manufacturers on behalf of the AMT Coalition for Economic Growth, 50 percent of the respondents indicated that either they were currently paying the AMT or expected to pay the AMT in near future. Importantly, the survey represents companies of all sizes and a broad cross-section of industries. Corporate AMT repeal is the necessary initial first step in any economic recovery package because it will provide immediate, bottom-line tax relief for AMT companies. Once the corporate AMT is repealed, estimated tax payments for companies in AMT would be reduced, freeing up resources for companies to use for their business needs. With company cash flow tight and profits down, repealing the corporate AMT is an important step in reviving U.S. economic growth.

■ Regulatory Barriers Retard U.S. Investment Spending

Reforms to federal and state regulations of all types could have a significant impact on near-term investment as well as long-run growth by removing some of the uncertainty associated with the return on new capital expenditures. According to AEI-Brookings Joint Center for Regulatory Studies scholar Robert W. Hahn, both Democrats and Republicans are placing increasing emphasis on the need for regulatory reform. And while the individuals and parties have different notions of how to implement reform, the degree of consensus is surprising. For example, politicians and the general public are becoming increasingly aware of the paperwork burden that both federal and state regulations impose. They are also growing more sensitive to the large number of counterproductive regulations. Several years ago, former senator and Democratic presidential candidate George McGovern opened an inn in Connecticut to fulfill a lifelong dream. The inn eventually went bankrupt. McGovern told his tale of woe in a *Wall Street Journal* op-ed, where he blamed part of the failure of the inn on the needless red tape and excessive costs that regulations impose.[1]

Dr. Hahn observes that we need to examine the revolution in regulation not only in terms of its impact on national economies, but also in terms of its potential international effects. For example, stringent regulation of the environment in one country may induce firms to relocate to other countries. In addition, product specifications introduced under the guise of protecting consumers may give domestic producers a competitive advantage. For example, the World Trade Organization ruled that a U.S. regulation for cleaner gasoline constituted a trade barrier that should be removed. Imposition of near-term limits on greenhouse gases as mandated by the Kyoto Protocol would also dramatically change trade and investment patterns. Thus, regulation can dramatically influence the pattern of international trade and investment.

The international ramifications of domestic regulation are likely to increase in importance as markets become more global. The growth in the size of markets is an inevitable result of the decreasing costs of transportation and communication. Capital can be now moved halfway around the world with one keystroke. Dr. Hahn notes specific examples of regulations that retard investment (as well as the development of new technology) are documented in a 2001 study by the Business Roundtable.[2] In the manufacturing and energy sector, for example, New Source Review (NSR) requirements under the Clean Air Act have reduced capital spending and prevented the adoption of energy-efficient technologies in the utility sector and in many industries; inflexible Clean Air Act regulatory requirements that prevent emissions

trading or netting (emissions trades within a plant facility); and inadequate scientific and economic bases for environmental regulations.

A significant number of the proposed solutions to these regulatory barriers call for improving current regulatory and permitting requirements. The proposed solutions focus on four main points: substituting performance standards for technology-specific standards; establishing broad environmental performance standards for manufacturing plants and industry; allowing regulatory agencies to consider inherent trade-offs among competing environmental, safety, and energy-efficiency goals; and providing a consistent set of policies among the various regulatory agencies.

In sum, regulatory reform with increased reliance on cost-benefit analysis should be part of the strategy for stimulating the U.S. economic recovery.

Impact of Policy Changes

Short-Run Tax Policy Stimulus Options

According to a new analysis by Dr. Allen Sinai, president and chief global economist of Decision Economics, corporate income and capital gains tax cuts would indeed stimulate the U.S. economy, yield higher GDP and investment, and increase employment. For example, cutting top individual and corporate capital gains tax rates in half would increase real GDP by an average of $120 billion per year over the 2002–10 period and produce 621,000 new jobs per year (see Table 5).

Corporate income tax reductions (from 35 percent to 23 percent) and shortening the depreciable lives of assets (by 25 percent and reducing real estate depreciation from 39 to 25 years) also provide positive stimulus. When the dynamic impact of the various tax policy changes is factored in, the revenue losses are relatively small.

The results of Dr. Sinai's simulations on the impact of policies that reduce the cost of new investment suggest that legislation already before the 107th Congress, such as S. 1293, the Climate Change Tax Amendments of 2001, sponsored by Senators Larry Craig (R-ID), Frank Murkowski (R-AK), Chuck Hagel (R-NE), and Pete Domenici (R-NM), would provide both short-term stimulus and long-run benefits. The bill, which provides tax incentives in the form of investment tax credits, extension of R&D credits for voluntary reduction, and sequestration of greenhouse gases and technology development, would likely have positive impacts on the environment, economic growth, employment, and energy security.

Tax Policy Options for Long-Run Economic Growth

While certain tax stimulus bills under consideration by the U.S. Congress are steps in the right direction, especially the focus on capital cost recovery, net operating loss extension, corporate alternative minimum tax repeal, and extension of subpart F exceptions, the measures fall far short of what is needed. Policymakers must move the United States forward with a viable tax code designed for the challenges of the 21st century, including globalization of business and greater use of e-commerce and the Internet to conduct operations from anywhere in the world.

A recent analysis by Dr. Allen Sinai, examining fundamental reform of the U.S. tax system by switching to a tax system where all saving is tax exempt, all new investment is written off in the first year, and interest expense is not tax deductible, shows strong increases in GDP, investment, employment, and fed-

eral tax receipts. If this tax system had been in place from 1991–2004, GDP would have been 5.2 percent higher every year, consumption and investment would have been greater, and employment higher by over 500,000 jobs per year (see Table 6).

Conclusion

Dr. Sinai's research shows that progrowth tax cuts for individuals and corporations cost relatively little in terms of tax revenue but strongly promote economic growth. Regulatory reforms should be instituted at the same time to further reduce barriers to investment and technological change. As a consequence, the United States would emerge from the current economic downturn stronger and better able to promote the spread of open markets and democracy worldwide. ❖

Notes

1. Robert W. Hahn, *Revising Regulatory Reform: A Global Perspective* (Washington, D.C: AEI-Brookings Joint Center for Regulatory Studies, 2000), pp. 2–3.

2. The Business Roundtable, "Unleashing Innovation: The Right Approach to Global Climate Change," Washington, D.C., April 2001.

Table 1 Effective Federal Tax Rate on Business Assets

	Producers' Durable Equipment	Nonresidential Structures	Residential Structures	Inventories and Land	All Assets
1981	**35%**	**50%**	**38%**	**56%**	**47%**
1982	**0%**	**27%**	**28%**	**56%**	**31%**
1987	**32%**	**31%**	**27%**	**44%**	**36%**
1996	**36%**	**39%**	**31%**	**46%**	**40%**

Source: Dale W. Jorgenson and Kun-Young Yun, *Investment Volume 3: Lifting the Burden: Tax Reform, the Cost of Capital, and U.S. Economic Growth* (Cambridge, Mass.: MIT Press, 2001)

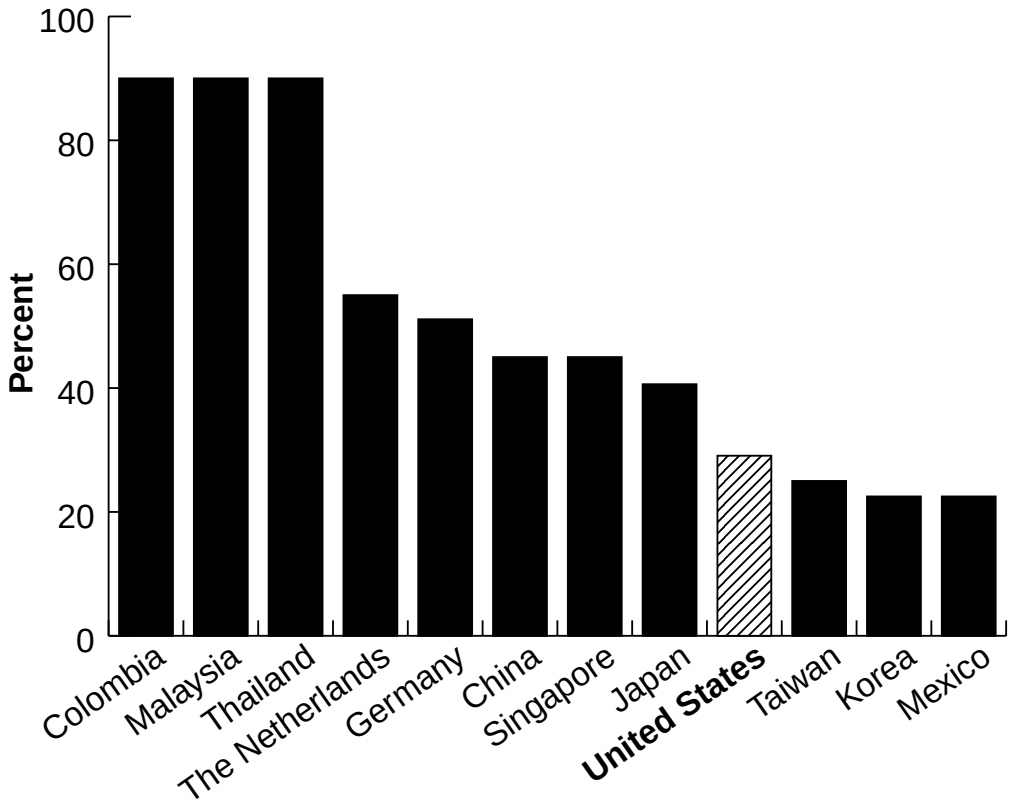
Table 2 Percent of Investment Recovered After Five Years for Energy Investment and Pollution Control Equipment

	Electricity Generating Plants			Electricity Transmission & Distribution Lines	Combined Heat & Power Generation Facilities Using Conventional Fuel (Assumes Power for Sale)	Distribution of Industrial Steam & Electricity Generated for Self-Use	Pollution Control Equipment	
	Gas	Coal	Nuclear				Input Modification (e.g., scrubbers)	Discharge Modification (e.g., thermal discharge control)
United States	**37.67**	**29.08**	**37.67**	**29.08**	**29.08**	**37.67**	**64.63**	**64.63**
Brazil	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Canada	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
China	22.50	22.50	22.50	45.00	45.00	45.00	45.00	45.00
Colombia	90.00	90.00	90.00	90.00	90.00	90.00	100.00	100.00
Germany	40.95	40.95	34.09	34.09	51.11	40.95	52.26	52.26
Japan	11.84	11.84	11.84	31.91	40.62	NC	NC	NC
Korea	11.13	11.13	11.13	22.50	22.50	22.50	22.50	22.50
Malaysia	90.00	90.00	90.00	90.00	90.00	90.00	100.00	100.00
Mexico	22.50	22.50	22.50	22.50	22.50	22.50	100.00	100.00
The Netherlands	55.00	55.00	55.00	55.00	55.00	55.00	55.00	55.00
Singapore	45.00	N/A	N/A	45.00	45.00	45.00	70.00	50.00
Thailand	90.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00
Taiwan	20.00	14.30	14.30	33.33	25.00	33.33	100.00	100.00

Notes:
- Interest rates are from IMF's *International Financial Statistics,* April 2000.
- Unless otherwise noted, the interest rates are the lending rates (period averages per annum) for December 1999.
- Korean interest rates are from latest period reported, November 1999.
- Taiwan interest rate not reported. Chinese interest rate used for this calculation.
- N/A: Data is not yet available.
- NC: Data is unclear. Further clarification necessary.

Source: Preliminary data from Arthur Andersen, LLP, November, 2001.

Figure 1 Combined Heat and Power Facilities: Percent of Cost Recovered After Five Years
Cumulative through five years



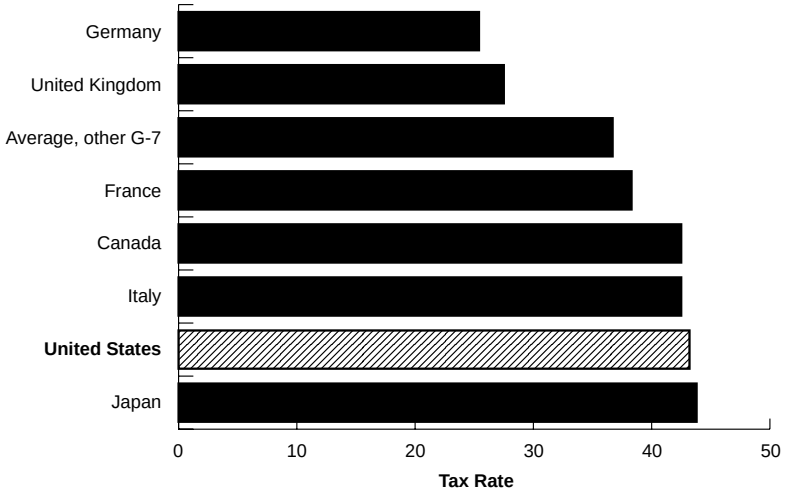
Source: Preliminary data from Arthur Andersen, LLP, November, 2001.

Table 3 Central Government Corporate Income Tax Rates, 1995–1999

Country	1995	2001
Australia	33.0	34.0
Austria*	34.0	34.0
Belgium*	39.0	40.2†
Canada	29.0	27.0
Denmark*	34.0	30.0
Finland*	25.0	29.0
France*	33.0	33.33
Germany*	45.0	25.0
Greece	35.0	37.5
Ireland*	40.0	20.0
Italy*	36.0	36.0
Japan	38.0	30.0
Luxembourg*	33.0	30.0
Netherlands*	35.0	35.0
New Zealand	33.0	33.0‡
Norway	19.0	28.0
Portugal*	36.0	34.0
Spain*	35.0	35.0
Sweden*	28.0	28.0
Switzerland*	4.0-10.0	8.5
Turkey	25.0	30.0
United Kingdom*	33.0	30.0
United States	**35.0**	**35.0**
European Union	34.4	31.7
Average	**32.4**	**30.6**

*European Union member state.
†Effective tax rate.
‡For the year ending March 2001.

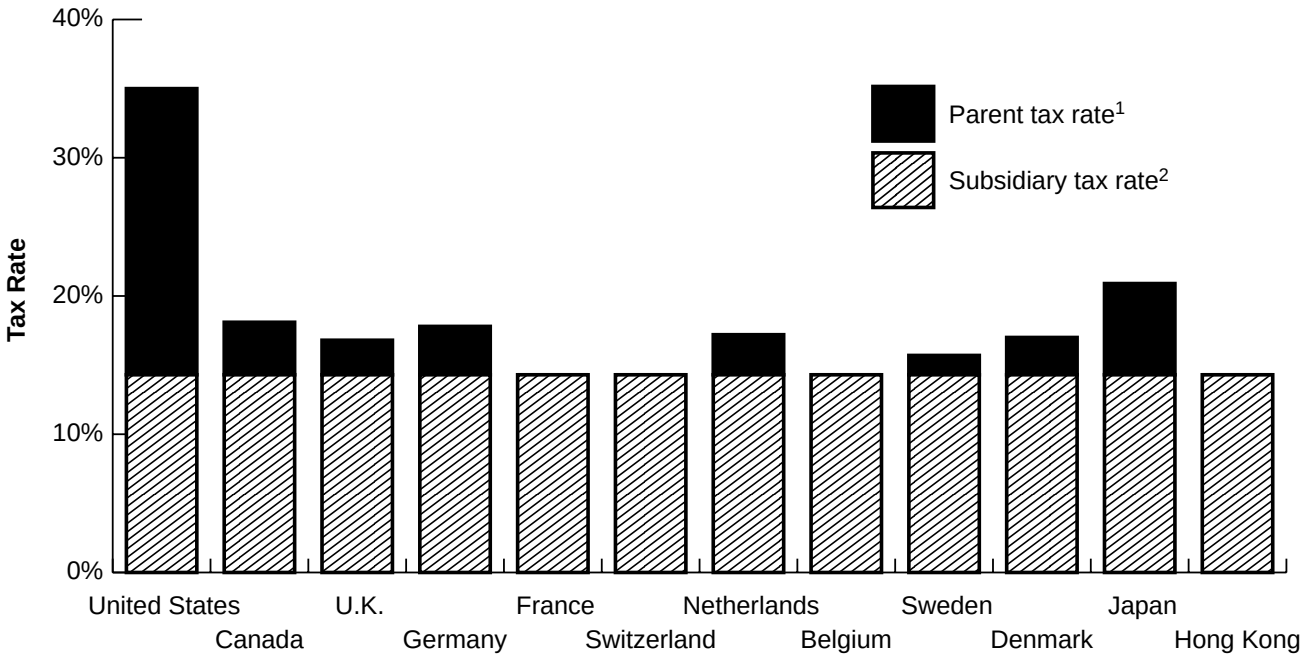
Figure 2 Effective Tax Rates on Foreign-Source Investment



Note: Tax rates include both the corporate and personal income tax on investment.

Source: *Enterprise Economics and Tax Reform* (Washington, D.C.: Progressive Foundation, Progressive Policy Institute, October 1994).

Figure 3 International Comparison of Tax Rates on Foreign Income Earned by Insurance Companies Operating in a Third Country Such as Taiwan
By country of residence of parent company



1. "Parent" means residence country income tax on parent company.
2. "Subsidiary" means local income tax on foreign subsidiary.

Source: Thomas Horst, "The Impact of the U.S. Tax Code on the Competitiveness of Financial Service Firms" (Washington, D.C.: American Council for Capital Formation Center for Policy Research, July 1997).

Table 4 Large Cross-Border Mergers and Acquisitions, 1998–2000
Millions of dollars

Item	Firms		Transaction Value	
	Number	Percent	Amount	Percent
1998 Mergers and Acquisitions				
All target firms	**51**	**100.0**	**$175,464**	**100.0**
Foreign acquisition of U.S. firm	*34*	*66.7*	*$151,283*	*86.2*
U.S. acquisition of foreign firm	17	33.3	$24,181	13.8
Financial services target firms	**15**	**100.0**	**$14,867**	**100.0**
Foreign acquisition of U.S. firm	*12*	*80.0*	*$11,316*	*76.1*
U.S. acquisition of foreign firm	3	20.0	$6,551	23.9
1999 Mergers and Acquisitions				
All target firms	**77**	**100.0**	**$224,458**	**100.0**
Foreign acquisition of U.S. firm	*45*	*58.4*	*$163,579*	*72.9*
U.S. acquisition of foreign firm	32	41.6	$60,879	27.1
Financial services target firms	**9**	**100.0**	**$35,166**	**100.0**
Foreign acquisition of U.S. firm	*8*	*88.9*	*$33,796*	*96.1*
U.S. acquisition of foreign firm	1	11.1	$1,370	3.9
2000 Mergers and Acquisitions (through November)				
All target firms	**96**	**100.0**	**$243,436**	**100.0**
Foreign acquisition of U.S. firm	*65*	*67.7*	*$192,793*	*79.2*
U.S. acquisition of foreign firm	31	32.3	$50,643	20.8
Financial services target firms	**16**	**100.0**	**$60,233**	**100.0**
Foreign acquisition of U.S. firm	*12*	*75.0*	*$48,093*	*79.8*
U.S. acquisition of foreign firm	4	25.0	$12,140	20.2

Note: :Large is defined as mergers in excess of $500 million.

Source: Carl A. Dubert and Peter R. Merrill, Taxation of U.S. Corporations Doing Business Abroad" U.S. Rules and Competitiveness Issues, second edition (Financial Executives International Research Foundation. 2001), p. 77.

Table 5 Economic Impact of Alternative Tax Stimulus Plans
Difference from baseline, dollars in billions

	(1) Capital Gains Rate Cuts: Individual & Corporate		(2) Corporate Income Tax Rate Reduced From 35% to 23%		(3) Accelerated Depreciation		(4) Corporate Income Tax Cut, Accelerated Depreciation & Capital Gains	
	2002–06	2002–10	2002–06	2002–10	2002–06	2002–10	2002–06	2002–10
Real GDP Level ('96$) (average)	$100	$120	$53	$69	$52	$65	$196	$253
Percent change from baseline	1.0%	1.1%	0.5%	0.6%	0.5%	0.6%	1.9%	2.3%
Investment ('96$) billions of dollars	$50	$54	$54	$69	$48.5	$61.5	$145	$182
Percent	3.5%	3.5%	3.7%	4.3%	3.4%	3.9%	13.0%	13.0%
Employment Average, in millions	0.485	0.621	0.225	0.336	0.371	0.492	1.100	1.500
Cost of Capital	-0.33%	-0.27%	0.24%	0.31%	-0.01%	-0.03%	-0.10%	0.01%
S&P 500 Price Percent difference in level	1.90%	1.70%	0.30%	-0.01%	0.70%	0.80%	2.80%	2.30%
Total Federal Tax Receipts Average	-$53.0	-$50.0	-$52.0	-$57.0	-$13.0	-$7.1	-$114.0	-$109.0
Bang for the Buck Ex post,* ratio	1.99	2.66	0.93	1.23	4.53	11.59	1.83	2.75

*Incorporates dynamic feedback from changes in tax policy.

Explanation of Simulations:
(1) **Capital gains tax reductions for individuals and corporations:** 20 percent to 10 percent for individuals and a reduction in the capital gains tax rate for corporations from 35 percent to 17.5 percent.
(2) **Profits tax reductions** from 35 percent to 23 percent, three stages of 4 percentage points per year starting in January 2002.
(3) **Accelerated depreciation of equipment and plant:** 25 percent reductions in lifetimes for all categories of equipment subject to depreciation and for plant and property to 25 years from the current 39-year tax allowable lifetime.
(4) **All of the tax incentives (1–3) combined.**

Source: Allen Sinai, Decision Economics, November 2001.

Table 6 Economic Impact on the United States of Switching to a Consumption Tax in 1991

Expensing business investment, removal of the business and personal interest deduction, and tax exemption of savings

	Average 1991–1995	Average 1996–2000	Average 2001–2004
Real GDP—level (billions of 96$)			
Base	7,085.8	8,499.6	10,113.1
Simulation of consumption tax	7,203.2	8,890.0	10,637.7
(Difference in level)	117.5	390.5	524.6
(Percent change in level)	1.7%	4.6%	5.2%
Business capital spending, total (billions of 96$)			
Base	684.2	1,092.0	1,599.6
Simulation of consumption tax	824.9	1,495.6	2,168.8
(Difference in level)	140.7	403.5	569.2
(Percent change in level)	20.6%	37.0%	35.6%
Consumption (billions of $96)			
Base	4,761.7	5,717.2	6,746.3
Simulation of consumption tax	4,773.3	5,843.4	7,021.5
(Difference in level)	11.6	126.1	275.3
(Percent change in level)	0.2	2.2	4.1
S&P 500 Price Index			
Base	449.1	1081.9	1803.2
Simulation of consumption tax	557.4	1370.5	2123.4
Difference	108.4	288.6	320.2
(Percent difference in level)	24.1%	26.7%	17.8%
Employment (millions of persons)			
Total payrolls, base	111.8	125.8	138.5
Total payrolls, simulation of consumption tax	111.8	129.3	140.9
(Difference in level)	0.0	3.6	2.4
Productivity (annual percent change)			
Nonfarm business, base	1.5	2.7	2.3
Nonfarm business, simulation of consumption tax	2.6	2.8	2.8
Difference	1.1	0.1	0.5
Total federal tax receipts			
Base	6,210.5	8,853.2	9,179.3
Simulation of consumption tax	5,745.5	8,821.0	9,607.7
(Difference in level)	-465.0	-32.2	428.5

Source: Margo Thorning, "U.S. Capital Formation: How the U.S. Tax Code Discourages Investment" (Lewisville, Tex.: Institute for Policy Innovation, forthcoming), using data from Allen Sinai, "Macroeconometric Model Simulation With the Sinai-Boston Model of the U.S. Economy," unpublished study, 2001.